SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Annual Report
For the Years Ended
September 30, 2010 and 2009
with
Independent Auditors' Report

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
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U.S. Department of Transportation

Office of the Secretary of Transportation

Office of Inspector General

Memorandum

Subject: INFORMATION: Quality Control Review of Audited Financial Statements for Fiscal Years 2010 and 2009, Saint Lawrence Seaway Development Corporation
Report Number: QC-2011-008

Date: November 3, 2010

From: Earl C. Hedges
Acting Assistant Inspector General for Financial and Information Technology Audits

Reply to Attn of: JA-20

To: Saint Lawrence Seaway Development Corporation Administrator

The audit of the Saint Lawrence Seaway Development Corporation's Financial Statements as of and for the fiscal years ended September 30, 2010, and September 30, 2009, was completed by Chiampou Travis Besaw & Kershner LLP, of Amherst, New York (see Attachment). We performed a quality control review of their audit work to ensure that it complied with applicable standards. These standards include the Chief Financial Officers Act; Government Corporation Control Act; generally accepted government auditing standards prescribed by the Comptroller General of the United States; and Office of Management and Budget Bulletin 07-04, "Audit Requirements for Federal Financial Statements," as amended.

Chiampou Travis Besaw & Kershner LLP, concluded that the financial statements present fairly, in all material respects, the financial position of the Saint Lawrence Seaway Development Corporation as of September 30, 2010, and September 30, 2009, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States. The report did not include any reportable internal control weaknesses or material noncompliance issues with accounting principles, laws, or regulations.

Our quality control review disclosed no instances in which Chiampou Travis Besaw & Kershner LLP, did not comply with applicable auditing standards. Therefore, we are not making any recommendations, and a response to this report is not required.

We appreciate the cooperation and assistance of representatives of the Saint Lawrence Seaway Development Corporation and Chiampou Travis Besaw & Kershner LLP. If we can answer any questions or be of any further assistance, please call me at (410) 962-1729 or George Banks, Project Manager, at (410) 962-0186.

Attachment

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Overview: Management Discussion and Analysis

Authority – The Saint Lawrence Seaway Development Corporation (SLSDC), a wholly-owned government corporation and an operating administration of the U.S. Department of Transportation (DOT), is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., and vessel traffic control in areas of the St. Lawrence River and Lake Ontario. In addition, the SLSDC performs trade development functions designed to enhance Great Lakes St. Lawrence Seaway System utilization. The Great Lakes Seaway System annually sustains more than 150,000 U.S. jobs, $4.3 billion in personal income, $3.4 billion in transportation-related business revenue, and $1.3 billion in federal, state, and local taxes. The binational waterway also provides approximately $3.6 billion in annual transportation cost savings compared to competing rail and highway routes.

The St. Lawrence Seaway is an international waterway, and the SLSDC interacts directly with numerous Canadian government and private entities as it carries out its mission. The SLSDC coordinates its activities with its Canadian counterpart, the St. Lawrence Seaway Management Corporation (SLSMC), particularly with respect to rules and regulations, overall day-to-day operations, traffic management, navigation aids, safety, environmental programs, operation dates and trade development programs. The unique binational nature of the Seaway System requires 24-hour, year-round coordination between the two Seaway Corporations.

The SLSDC's policy headquarters is located in Washington, D.C. The operational staff and facilities are located in Massena, N.Y., including the two U.S. Seaway locks (Eisenhower and Snell).

Mission Statement – The SLSDC operates and maintains the U.S. infrastructure and waters of the St. Lawrence Seaway, while performing trade development activities focused on economic development for the Great Lakes St. Lawrence Seaway System. Its mission is to serve the marine transportation industry by providing a safe, secure, reliable, efficient and competitive deep draft international waterway, in cooperation with the Canadian SLSMC.

Vision Statement – The SLSDC will be a model federal agency, leading the Great Lakes Seaway System as the safest and most efficient, competitive, technologically advanced, and environmentally responsible marine transportation system in the world.

Core Organizational Values – Accountability, Competitiveness, Customer Focus, Dedication, Diversity, Excellence, Integrity, Operational Efficiency, Relevance, Service, and Quality.

Financial Highlights for FY 2010

The financial statements have been prepared to report the financial position and results of operations of the Saint Lawrence Seaway Development Corporation (SLSDC or Corporation), pursuant to the requirements of the Chief Financial Officers Act of 1990.

Corporation Financing

Until 1987, the Corporation was a self-sustaining entity and financed its operations and investment in plant and equipment by charging tolls to users of the two U.S. Seaway locks. Toll rates were established jointly with and collected by The St. Lawrence Seaway Authority (now known as the St. Lawrence Seaway Management Corporation, or SLSMC), with the U.S. share remitted to the Corporation. The Water Resources Development Act 1986, P.L. 99-662, which created the Harbor Maintenance Trust Fund (HMTF), made a significant change to Corporation financing. The Act required the U.S. Treasury to rebate the portion of Seaway tolls paid by users for transiting the U.S. locks. Subsequent legislation, effective October 1, 1994, waived the billing and collection process of the U.S. tolls. However, the SLSDC still recognizes the requirement under the 1959 Tariff of Tolls agreement between Canada and the U.S. to negotiate Seaway toll levels with the SLSMC.

Selected Financial Indicators *
(in thousands of dollars)

			Change	
For the years ended September 30	**2010**	**2009**	**$**	**%**
Operating revenues	28,274	29,705	(1,431)	(5)
Appropriations expended	27,663	29,005	(1,343)	(5)
Other	612	700	(88)	(13)
Operating expenses	21,621	19,323	2,298	12
Personnel services and benefits	12,955	12,947	8	0
Other	8,667	6,376	2,291	36
Imputed financing and expenses				
Imputed financing	1,101	934	167	18
Imputed expenses	1,101	934	167	18
Total assets	117,308	107,819	9,490	9
Time deposits in minority banks	11,158	11,060	98	1
Short-term	8,319	9,789	(1,470)	(15)
Long-term	2,839	1,271	1,568	123
Interest income from minority banks	230	373	(142)	(38)

** Rounding may affect the addition of rows and columns in the table.*

Operating Revenues

Operating revenues, excluding imputed financing, totaled $28.3 million in FY 2010, a 5 percent decrease. Appropriations expended, representing the amount of the HMTF expended for operating purposes, decreased $1.3 million and other revenues decreased $88,000.

Operating Expenses

Overall operating expenses of $21.6 million, excluding depreciation and imputed expenses, increased 12 percent. Personnel services and benefits remained constant while other costs increased by 36 percent. Personnel services and benefits represented 60 percent of the Corporation's operating expenses in FY 2010.

Other costs of $8.7 million included $7.1 million for other contractual services; $748,000 for supplies and materials; $465,000 for rent, communications, and utilities; $219,000 for travel and transportation of persons and things; $105,000 for equipment not capitalized; and $12,000 for printing and reproduction.

The Corporation employed 135 people on September 30, 2010, including five temporary employees.

Imputed Financing and Expenses

Effective in 1997, the Corporation was required to recognize and record the cost of pension and post-retirement benefits during employees' active years of service, based on cost factors provided by the Office of Personnel Management (OPM). These costs are recorded as an expense paid by another entity, OPM, offset by an imputed financing source to the receiving entity, the Corporation.

Total Assets

The Corporation's financial position continues to remain sound with total assets of $117 million. Plant, property and equipment are valued at $76 million.

Time Deposits in Minority Banks and Interest Income

A key asset of the Corporation is time deposits in minority banks, totaling $11.2 million at year-end. A decrease in short-term deposits of $1.5 million was offset by an increase in long-term deposits of $1.6 million. Lower interest rates led to a 38 percent decrease in interest on deposits in minority banks. The interest income is an important financing source for the Corporation.

Unobligated Balance

The Corporation had an unobligated balance on September 30, 2010 of $15.1 million, comprised of $3.2 million of unused borrowing authority and the $11.9 million financial reserve. The reserve is maintained to finance emergency or extraordinary expenditures to ensure safe and uninterrupted use of the Seaway, a policy affirmed by the Congress in Appropriation Committee reports. The funds on deposit in minority banks were principally built up from toll income in excess of cash outlays prior to April 1, 1987, when the Corporation was a self-sustaining entity, and are invested in insured deposits consistent with Executive Order 11625 (October 13, 1971).

Agency Operations

Other-than-personnel expenditures for Agency Operations totaled $3 million.

Specific operating expenditures for Agency Operations included $422,000 for special operating projects; $387,000 for general operating expenses; $200,000 for lock inspection and maintenance; $118,000 for equipment, vehicle, and vessel maintenance; and $108,000 for building maintenance.

The significant capital expenditure for Agency Operations included $143,000 for HVAC upgrades at the Corporation's Maintenance Building.

HVAC Systems Upgrade at Maintenance Building – A contractor replaced several through-the-wall Heating, Ventilation, and Air Conditioning (HVAC) units in offices that did not exhaust into or intake fresh air from the outdoors with a new central HVAC system that is more energy efficient and provides fresh air to these offices. The units that served these offices exhausted into and drew air from adjacent interior spaces.

SLSDC's Asset Renewal Program (ARP)

The SLSDC developed an Asset Renewal Program, as part of its FY 2009 budget request to Congress, to address the long-term asset renewal needs of the U.S. Seaway infrastructure. A perpetual infrastructure asset, such as a lock, needs a capital investment equivalent to its original cost over its design life, which is typically 50 years, in order to sustain itself. The U.S. portion of the St. Lawrence Seaway was built in the late 1950s at an original cost of $130 million. Prior to the start of the ARP in FY 2009, only $47 million in capital expenditures had been invested in the U.S. Seaway locks since they opened in 1959.

The 52 projects included in the current ARP are estimated at $186 million and address various needs for the two U.S. Seaway locks, the Seaway International Bridge connecting Ontario and New York, maintenance dredging, operational systems, and Corporation facilities and equipment. None of these investments will result in increases to the authorized depth or width of the navigation channel or to the size of the two existing U.S. locks.

In FY 2010, the SLSDC obligated $16.3 million in other-than-personnel, including accrued expenditures and undelivered orders, for Year Two ARP projects. Of that amount, ARP other-than-personnel accrued expenditures (not including undelivered orders) totaled $9.9 million and included primary expenditures of $3 million for dredging; $2.2 million for the Seaway International Bridge rehabilitation; $1.2 million for floating plant upgrades; $781,000 for paving and drainage; $369,000 for miter gate rehabilitation; $367,000 for Corporation equipment; $351,000 for culvert valve machinery; $272,000 for highway tunnel repairs; $231,000 for power supply infrastructure upgrades; $203,000 for concrete rehabilitation; $177,000 for fendering; $137,000 for lock status controls; $118,000 for Global Positioning System (GPS), Automated Information System (AIS), and Traffic Management System (TMS) Technologies; and $116,000 for floating navigational aids.

Navigation Channels – Dredge U.S. Sectors to Maintain Design Grade and Dispose of Sediments – A contractor continued work for dredging sediments that are above the navigational channel bottom design grade from the Intermediate Pool between Eisenhower and Snell Locks and began work for dredging sediments from the International Tangent. The material from the Intermediate Pool is being deposited at an upland spoil site north of the upstream guidewall at Snell Lock and the dredged material from the International Tangent is being trucked off site to a solid waste disposal facility. This project also includes a contract with a firm to perform the pre- and post-dredge surveys for determining the amount of material removed from the navigational channel for payment purposes and to perform the inspection services to insure conformance with the project permits and specifications.

Seaway International Bridge – Perform Structural Rehabilitation and Corrosion Prevention – Blast Clean, Repair and Paint the South Span Seaway International Bridge – A contractor began work for blast cleaning, repairing, and painting the south span bridge which crosses the Seaway navigational channel between Rooseveltown, New York and Cornwall Island, Ontario. The Corporation owns 68 percent of this structure. The bridge was in need of this work to stop the corrosion that was occurring so as to minimize the need for expensive structural repairs that would be required if the bridge were allowed to continue to deteriorate.

Corporation Equipment – Upgrade / Replace Floating Plant – This project consisted of purchasing a sectional spud barge, a boat for hydrographic surveying and a hydrographic survey system, and a boat to be used for emergency response and for channel maintenance activities. The sectional spud barge will replace a spud barge that was scrapped. This barge was fabricated in easily connected sections such that it can be used for small navigational aid maintenance activities as well as to provide a platform on which to place a crane to perform major navigational aid maintenance work. In addition, the Corporation purchased a new hydrographic survey system and boat, motor, and trailer to provide a portable platform from which to perform hydrographic surveys. The Corporation is responsible for assuring that the navigational channels within U.S. waters in the Seaway are maintained to provide the minimum depth of water required for the Seaway's advertised draft. The prior system was antiquated and unreliable and the boat utilized as a platform for the existing equipment was a small tug which could not be transported by trailer; this made hydrographic survey work more time consuming and expensive. The emergency response vessel will be used to respond to vessel incidents for placing oil boom and for transporting response personnel to and from the site or vessel. This vessel will also be used for certain channel maintenance activities.

Both Locks – Rehabilitate Mooring Buttons and Concrete along Guidewalls and Guardwalls – A contractor completed work for raising settled mooring buttons, replacing deteriorated and damaged pavements, and improving drainage at the guidewalls, roadways and parking areas at the north sides of both Eisenhower and Snell Locks. The guidewalls are used by Corporation personnel and crew members from transiting vessels to secure vessels to these structures. The irregular surfaces and the water and ice collecting around the settled mooring buttons were becoming safety issues. Also, as part of this project, engineering consultants completed reconnaissance, designs, specifications, drawings, and cost estimates for paving and drainage improvements at other Corporation locations.

Both Locks – Rehabilitate Upstream Miter Gate at Eisenhower Lock – A contractor began work for designing and fabricating a system to lift, move, and support two 150 ton miter gate leaves so that the rehabilitation work on the gate can begin after navigation is suspended for the winter (i.e., December, 2010).

Corporation Equipment – Replace Heavy and Light Equipment, Maintenance Vehicles and Shop Equipment – A dump truck with snowplow, two tractors with mowers, and eight vehicles were purchased. The vehicles were to replace those used to perform lock and facility maintenance, service aids to navigation along the St. Lawrence River, perform vessel inspections and other miscellaneous functions in support of the Corporation's mission. Vehicles were replaced in accordance with GSA replacement criteria. They were over 10 years old, had high mileage and / or were severely corroded due to the salt used to melt ice from roads during winter.

Both Locks – Culvert Valve Machinery – Upgrade to Hydraulic Operation – This project is for replacing the original electro-mechanical operating equipment with hydraulic equipment for the north side filling and emptying valves at both Eisenhower and Snell Locks. The contractor has begun work for fabrication of the new hydraulic power units. A second contractor completed concrete removal in the machinery recesses required for installation of the new equipment. The Corporation has completed work for placing new concrete stairs in the recesses and for installing new cabinets and servers for the new controls. The majority of the work on this project will be completed during the upcoming winter maintenance period.

Eisenhower Lock – Highway Tunnel – Rehabilitate – An engineering consultant completed an assessment of the issues with the highway tunnel that carries traffic under the upstream end of Eisenhower Lock. A contractor performed work to seal leaking joints under the roadway through the tunnel. The tunnel is the only access to the New York Power Authority's Robert Moses Power Dam and to a New York State Park.

Both Locks – Upgrade Power Supply Infrastructure from Moses-Saunders Dam to Both Locks and Adjacent Facilities – The New York Power Authority (NYPA) provides power to the Corporation for the operation and maintenance of Eisenhower and Snell Locks under an agreement that was made when the power dam and locks were constructed as part of a joint project. NYPA continued to repair and make improvements to this infrastructure this year by replacing deteriorated poles and the switches on these structures.

Eisenhower Lock – Walls, Sills, and Culverts – Rehabilitate Concrete – An engineering consultant completed an assessment of the concrete conditions at both Eisenhower and Snell Locks and began preparation of designs, specifications, drawings, and cost estimates for performing concrete rehabilitation work at Eisenhower Lock.

Snell Lock – Replace Fendering Downstream Guidewall Extension – This was for the purchase and installation of rubber fenders to replace the composite fenders that were no longer serviceable on the downstream guidewall extension at Snell lock. The installation was completed by Corporation Maintenance personnel.

Both Locks – Upgrade Lock Status / Controls – Upgrades to the lock control / status system began. Equipment and materials were purchased and installation was started by Corporation personnel. The upgrades were necessary because support for the graphics software that was in use was to be discontinued and changes were required to accommodate the conversion of the culvert valve operating equipment to hydraulics.

Corporation Technologies – Seaway System – Upgrade GPS / AIS / TMS – A weather station, water level gauge, and anemometer were purchased and Corporation personnel began installation of these units. Also, four AIS base stations were purchased to replace units that were no longer supported by the manufacturer. The new base stations have additional capabilities that the existing units do not have.

Floating Navigational Aids – Replace – Longer lasting light-emitting diode (LED) lights were purchased for the floating navigational aids that the Corporation owns and maintains in the Seaway. The new lights will require less frequent service and are more readily visible for transiting vessels. These new lights are being replaced by Corporation personnel.

Significant Future Costs and Anticipated FY 2011 Accomplishments

Included in the SLSDC's FY 2011 budget request to Congress was a five-year ARP Capital Investment Plan. For the FY 2011-2015 time frame, the Seaway ARP includes 41 projects estimated at $97.2 million, 29 of which are multi-year projects, with total funding for each year of the plan constrained to funding targets for those years as estimated and approved by the Office of Management and Budget (OMB).

The Corporation's FY 2011 budget request included 20 Year Two ARP projects totaling $15.7 million. Some of the major projects include:

Both Locks – Culvert Valve Machinery - Upgrade to Hydraulic Operation (Capital Project, $4.5 million) – This project is for replacing the operating machinery for the culvert valves at Eisenhower and Snell Locks, which are utilized for filling and emptying the locks. This is the second and final year of the project with the operating machinery for the south filling and emptying valves at both locks being replaced. This machinery is more than 50 years old and the open gearing is exhibiting macropitting. This equipment needs to be upgraded to insure its continued reliability. Failure of this equipment will cause delays to shipping while repairs are made. Due to the fact that this machinery was custom made and spare parts are limited, repairs to multiple pieces of machinery using the spare parts that are on-hand would not be possible. The upgrade will include new hydraulic operating machinery to match the upgrades made at the Canadian Seaway locks and other similar locks in the United States.

Eisenhower Lock – Rehabilitate Downstream Miter Gate (Capital Project, $4.25 million) – This project is to completely rehabilitate the miter gate at the downstream end of Eisenhower Lock. It includes replacing worn and damaged components including the miter and quoin contact blocks, pintles, gate anchorages, and diagonals to insure proper functioning of the miter gate.

Seaway International Bridge – Perform Structural Rehabilitation and Corrosion Prevention (Non-Capital Maintenance Project, $3.5 million) – This project is for rehabilitation of the structural components of the south span of the bridge between Rooseveltown, N.Y., and Cornwall Island, which crosses the Seaway navigational channel. This project is designed to stop the corrosion currently experienced on many portions of the bridge structure and prevent the need for large-scale structural or even bridge replacement in the future. The SLSDC owns 68 percent of the south span of the bridge and the budget request reflects the U.S. prorated amount for the project. The Canadian Federal Bridge Corporation owns the remaining 32 percent of the south span.

Corporation Facilities – Replace Paving and Drainage Infrastructure (Capital Project, $750,000) – This project is for improving the pavement and drainage along lock approach walls, Corporation roadways, public parking, and work areas at all Corporation facilities. In Upstate New York, the damage to pavement caused by winter conditions is significant and if repairs are not made before the damage is too severe, complete replacement of the pavement down to and often including the base materials is required at a much higher cost.

Eisenhower Lock Highway Tunnel – Rehabilitate (Capital Project, $650,000) – This is an ongoing project to maintain the highway tunnel which goes through the upper sill area of Eisenhower Lock to provide the only land access to the north sides of both Eisenhower and Snell Locks, to the New York Power Authority's Robert Moses Power Project and to the New York State Park on Barnhart Island. This project includes grouting to limit the water leaking into the tunnel, replacing damaged and missing tiles from the walls and ceiling, replacing the lighting in the tunnel, replacing deteriorated and damaged gratings and railings, stabilizing and repairing wingwalls at the tunnel approaches and clearing tunnel drains which are becoming plugged with concrete leachate products. Any problems that would make it necessary to close the tunnel for repair would have very significant impacts. The lights in the tunnel were installed during the original construction and it is difficult to procure replacement parts. A study was completed in FY 2009 and the lighting falls short of the current tunnel lighting standards. In FY 2011, the project is for upgrading the lighting to meet current standards.

Operational Initiatives

SLSDC Maintains 100 Percent Inspections of Foreign Vessels Entering the St. Lawrence Seaway

Under the Enhanced Seaway Inspection (ESI) program, the SLSDC inspects all ocean vessels on their initial transit into the St. Lawrence Seaway. These inspections focus on safety and environmental protection issues and occur in Montreal, Que., before the vessels enter the Seaway and U.S. waters. The SLSDC and the U.S. Coast Guard (USCG) signed a Memorandum of Understanding (MOU) in March 1997 to develop the program of coordinated vessel inspection and associated enforcement activities to expedite the safe transit of shipping through the Great Lakes St. Lawrence Seaway System. This MOU was developed in conjunction with the Canadian St. Lawrence Seaway Management Corporation (SLSMC) and Transport Canada and continues to guide Seaway maritime policies and procedures.

ESI inspections are jointly performed by the SLSDC and the SLSMC marine inspectors and cover both Seaway-specific fittings as well as port state control items identified by the USCG as critical for the vessel to transit to a U.S. Great Lakes port of call. In the event major deficiencies are identified, Transport Canada is notified and the vessel is detained in Montreal until the deficiencies are cleared.

The proactive approach and continued improvement of the inspection program has been exceptionally successful in reducing the number and frequency of incidents both on the St. Lawrence River and in and around the lock facilities. In addition, the inspection program has eliminated the practice of duplicative inspections, which allows for a more seamless and efficient transit of the Seaway and provides an excellent location for repair resources, if required.

The SLSDC's goal for performing inspections of all foreign-flag vessels on their initial Seaway transit each year was achieved during the 2009 navigation season, with 186 inspections conducted by SLSDC personnel. As of September 30, 164 vessel inspections had been completed in 2010.

Seaway Agencies Manage Draft Optimization Pilot Program

In FY 2010, the SLSDC continued to work with the Canadian SLSMC as well as Seaway carriers and technology vendors to implement draft optimization technology to maximize sailing drafts on the St. Lawrence Seaway. Currently, the Seaway's maximum allowable draft is 26 feet, 6 inches.

During both the 2009 and 2010 navigation seasons, the two Seaway agencies instituted a pilot program to allow fully-loaded vessels, with three-dimensional (3-D) navigation technology tools on board, to sail three additional inches beyond the maximum allowable draft (26 feet, 9 inches) in the Montreal-Lake Ontario section of the Seaway. Testing continued in the Welland Canal portion of the Seaway in 2010. Increasing the allowable maximum draft helps to increase the Seaway's productivity and competitiveness, as each additional inch of draft allows a typical inland lake vessel to transport an additional 100 tons of cargo.

SLSDC Holds Operational Emergency Response Tabletop and Boom Deployment Exercise

The SLSDC sustains an Emergency Response Plan that enhances the Corporation's ability to respond to a vessel incident that results in pollution. The SLSDC works closely with the USCG, Canadian Coast Guard, and New York State Department of Environmental Conservation to assist with mitigating the impact of an oil spill on the local environment and on Seaway trade and commerce.

Annual training and drills are practiced to ensure resources are adequate for an effective response. Most training and drills are multi-agency lead and attended by local response agencies and environmental groups.

In June 2010, the SLSDC co-hosted with the USCG a tabletop and boom deployment exercise with more than 25 U.S. and Canadian agencies being represented. The tabletop exercise dealt with a chemical spill at the lock facility with evacuation measures highlighted. The oil boom deployment exercise was a field training exercise for Seaway personnel and others in attendance.

SLSDC Continues Role on Great Lakes Regional Waterways Management Forum

In FY 2010, the SLSDC continued to play a key role in the Great Lakes Regional Waterways Management Forum, a group of U.S. and Canadian federal representatives who work cooperatively to identify and resolve waterways management issues that involve the Great Lakes region. The Forum specifically reviews issues across multiple jurisdictional zones and/or those involving international issues and is further tasked with developing operational solutions that improve the use and effectiveness of the Great Lakes.

Environmental Initiatives

Federal Report Highlights Continued Improvements in Great Lakes Seaway System Ballast Water Inspection Program

In FY 2010, a U.S. government report showed continued improvements during the 2009 navigation season in both the number of ballast tank inspections of oceangoing commercial ships entering the Great Lakes St. Lawrence Seaway System from outside U.S. or Canadian waters as well as compliance with ballast water management requirements.

The *2009 Summary of Great Lakes Seaway Ballast Water Working Group* released by the U.S. Coast Guard examined the U.S.-Canada Great Lakes Seaway System ballast water ship inspection program. The report found that 100 percent of all oceangoing ships bound for the Great Lakes Seaway System ports from outside U.S. or Canadian waters in 2009 received a ballast tank exam, compared with 99 percent in 2008 and 74 percent in 2007. Moreover, the report found that 5,450 ballast tanks on board 295 vessels were sampled and had a 97.9 percent compliance rate in 2009. The effectiveness of the Seaway's ballast water inspection program has been publicly credited as a key factor in preventing the establishment of any new species in the Great Lakes since 2006 – the longest such period of non-detection on record.

The report was prepared by the Great Lakes Seaway Ballast Water Working Group (BWWG), which includes representatives of the U.S. SLSDC, Canadian SLSMC, the USCG's Ninth District, and Transport Canada. The group coordinates U.S. and Canadian enforcement and compliance efforts to reduce the introduction of aquatic invasive species in the Great Lakes via ships' ballast water.

In addition to ballast tank exams for all oceangoing vessels entering the St. Lawrence Seaway in 2009, 100 percent of ballast water reporting forms were screened to assess ballast water history, compliance, voyage information, and proposed discharge location. In 2009, Transport Canada issued seven Letters of Warning for vessels found with discrepancies in its ballast water management plan, records, or reports. These letters are used for minor first-time offenses with a warning of possible assessment of a fine if not corrected. BWWG agencies issued Letters of Retention for 53 vessels. Rather than retain non-compliant ballast water, one vessel chose to conduct an exchange in an approved alternate zone. Verification boardings are conducted on every outbound vessel issued a Letter of Retention. In 2009, all vessels issued a Letter of Retention were boarded during their outbound journey and found to be in compliance. These inspections were tangible evidence that no unmanaged ballast water or sediment was released into the Great Lakes St. Lawrence Seaway System from oceangoing vessels.

In 2008, the SLSDC implemented regulations requiring all oceangoing ships with no ballast in their tanks to conduct saltwater flushing of their empty ballast water tanks before arriving in the Seaway. Under these requirements, vessels must conduct saltwater flushing of their tanks that contain residual amounts of ballast water and/or sediment. Flushing must occur in an area 200 nautical miles from any shore before entering waters of the Seaway.

SLSDC Plays Leadership Role on
Great Lakes Ballast Water Collaborative

In late FY 2009, the SLSDC initiated the Great Lakes Ballast Water Collaborative (BWC), in conjunction with the International Joint Commission, to bring together industry and state and federal regulators on the issue of ballast water and invasive species in the region. One of the primary goals of the BWC is to share relevant, useful, and accurate information and foster better communication and collaboration among the key stakeholders engaged in the effort to reduce the risk of introduction and spread of aquatic nuisance species.

A particular emphasis of the BWC has been to bring state representatives together with marine industry representatives and respected scientists to find workable and effective solutions to the aquatic invasive species challenge as they relate to the Great Lakes St. Lawrence Seaway System. The aim of the BWC is not to take away from any preexisting efforts in this regard, but rather to complement those efforts.

In September 2009, the BWC held its first meeting in Detroit, Mich., as an information-sharing forum on ballast water issues for the Great Lakes Seaway System. The forum was attended by representatives from state and provincial governments (Minnesota, Wisconsin, Illinois, Ohio, Michigan, New York, and Ontario); U.S. and Canadian regulatory agencies; senior executives from the U.S.-flag laker, Canadian-flag laker, and international fleets; and the leading academic ballast water researchers from Canada and the United States.

Several follow-up meetings were held by smaller subgroups of the BWC in FY 2010 – December 2009 in Ann Arbor, Mich., and January 2010 in Toronto, Ont. In addition, two full BWC meetings took place in FY 2010 – May 2010 in Montreal, Que., and July 2010 in Duluth, Minn. The BWC has attracted the active participation of nearly 100 different individuals in the U.S. and Canada, most of them the senior representatives of their organizations.

Internationally Recognized Environmental Scientist
Supports SLSDC Ballast Water Management Efforts

Dr. David Reid, retired environmental scientist for the U.S. National Oceanic and Atmospheric Administration (NOAA), began consulting with Corporation officials on ballast water issues and activities in FY 2010. Dr. Reid advises the SLSDC Administrator and senior staff on a variety of environmental matters, specifically in the areas of non-indigenous aquatic species, ballast water treatment, management and policy, and bathymetric mapping of the Great Lakes.

Dr. Reid has been actively involved in scientific research projects involving the Great Lakes for more than four decades. He is an internationally recognized expert on aquatic nuisance species, with an impeccable reputation amongst those in the scientific and academic communities.

SLSDC Continues to Support Binational "Green Marine" Program

In FY 2010, the SLSDC continued to support and participate on the U.S.-Canadian "Green Marine" initiative, a marine industry partnership program aimed at demonstrating and communicating the maritime industry's commitment to addressing a number of key environmental issues.

The objective of the "Green Marine" program, which was launched in October 2007, is to build and maintain strong relations with key stakeholders and develop a greater awareness of the maritime industry's activities, benefits and challenges. To accomplish this, activities are directed towards strengthening the industry's environmental standards and performance through a process of continuous improvement, helping the maritime industry to speak with one voice, strengthening industry involvement in regulatory processes, and improving regulatory outcomes.

In May 2009, the Green Marine CEO Governance Board mandated a small group of industry members to develop a strong, proactive communications plan to better support the marine industry. This new initiative was launched in FY 2010 and is called "Marine Delivers".

Results of Historic Ice Study Released
Looking at Environmental Impacts of Icebreaking Activities

In April 2010, the SLSDC, along with the Canadian SLSMC, Transport Canada, the U.S. St. Regis Mohawk Tribe, and the Canadian Mohawk Council of Akwesasne, publically released the results of a three-year Joint Observational Study (JOS) that assessed the potential impacts caused by icebreaking activities on the St. Lawrence Seaway.

The study's conclusion, endorsed by all participants, is that no adverse impacts to the shoreline could be observed as a consequence of ice breaking activity. Using a baseline characterizing the impact of natural ice break-up and clear-out, the study revealed that the use of icebreakers to clear the shipping channel did not result in any measurable change to shoreline ice scour and/or land-fast ice breaking away from the shore.

During the three-year JOS, landowners along the shoreline being studied which extended from the U.S. Snell Lock to the middle of Lake St. Francis did not report any negative effects from the icebreaking activity. Moreover, the JOS revealed that the forces imposed on the shoreline due to icebreaking activities were significantly less than the forces exhibited by ice flows driven onto the shoreline by high wind conditions.

The JOS arose out of a Memorandum of Understanding (MOU) entered into by the parties in May 2006 to observe and document potential physical impacts arising from icebreaking activities in the St. Lawrence Seaway. The MOU was a component of a negotiated settlement among the parties to complaints filed in 2004 by the Akwesasne Mohawk. Although the requirements set forth in the settlement agreement have been fulfilled with the completion of the study, the parties continue to work in a cooperative manner and meet on a regular basis regarding the opening process as well as emergency response planning and other environmental matters.

Corporation Receives Positive Assessment of Its Environmental Management System (EMS)

An on-site assessment of the SLSDC's Environmental Management System (EMS) was performed on August 10, 2010. The Corporation's EMS was found to conform to all the requirements of the International Standards Organization's (ISO) 14001:2004 standard. The SLSDC's EMS was initiated to fulfill Executive Order 13514, which sets sustainability goals for federal agencies and focuses on making improvements in their environmental, energy, and economic performance.

Trade Development Initiatives

The statute that created the SLSDC provided general authority for the Corporation to undertake trade promotion activities. Marketing programs to promote Seaway utilization have a multitude of benefits. The primary benefit is the stimulation of U.S. and Canadian Midwest port city economies through increased maritime industry expenditures for services and employment to support international trade activity. Furthermore, the Corporation engages in activities designed to increase public awareness of the Seaway. This includes costs associated with strategies aimed at identifying new markets for, and increasing use of, the Great Lakes Seaway System.

By working collaboratively with the Canadian SLSMC and stakeholders from around the system, the SLSDC has developed and executed numerous promotional programs designed to educate international audiences about the many opportunities for moving cargo to and from the heartland of North America.

**Seaway Corporations Focus on Short Sea Shipping
During Fact-Finding Tour to Europe**

SLSDC Administrator Collister Johnson, Jr. and SLSMC President and Chief Executive Officer Richard Corfe, traveled to Europe from September 26-October 2, 2009, in a binational effort to increase awareness about the opportunities and challenges of moving containers via Short Sea Shipping operations in the Great Lakes St. Lawrence Seaway System. The Seaway leadership and marketing staff met with senior executives from European inland waterway ports and terminals, as well as associations that currently conduct or promote operations in this growth industry.

To achieve the goal of successfully reintroducing container shipping into the Great Lakes Seaway System, the Seaway Corporations group met with port and terminal managers and ship owner/operators from the inland waterway ports of Duisburg, Germany; Rotterdam and Amsterdam, The Netherlands; and Associated British Ports and Freight by Water in London, England. Economic conditions in 2009 resulted in no official Seaway Trade Mission for the first time since 1986, but the fact-finding tour set the stage for the 2010 binational Seaway Trade Mission to these same ports.

SLSDC Participates on Great Lakes Wind Collaborative

The SLSDC has been a member of the Great Lakes Wind Collaborative, a multi-sector coalition of wind energy stakeholders formed to facilitate the sustainable development of wind power in the binational Great Lakes region, since 2008. The Corporation helped draft a survey of U.S.-Canadian ability to handle wind components at ports in the Great Lakes Seaway System. The survey results were compiled in 2010 and a report published documenting findings. *The Role of the Great Lakes-St. Lawrence Seaway Ports in the Advancement of the Wind Energy Industry* has been distributed widely to key stakeholders in this region. The SLSDC reported on the results to the Wind Collaborative at its annual conference in Cleveland, Ohio, on September 20, 2010, and subsequently participated in a webinar run by the American Wind Energy Association's Transportation and Logistics Working Group the following week.

SLSDC Exhibits at International Breakbulk Europe Conference and Exhibition

The U.S. and Canadian Seaway Corporations participated in the 2010 Journal of Commerce International Breakbulk Europe Conference and Exhibition from May 18-20, 2010, in Antwerp, Belgium. At the conference, the Seaway Corporations unveiled the new Highway H_2O exhibit which proved to be well received and appreciated.

The conference focused on the volume of breakbulk cargo moving in and out of Europe as well as the related benefits and challenges that buyers and sellers in this market have been facing. The three-day event offered an excellent opportunity for detailed communication among shippers, forwarders, carriers, and other transportation providers.

SLSDC Agencies Host Annual Stakeholder Appreciation Reception

In recognition of its Great Lakes St. Lawrence Seaway System stakeholders, the SLSDC and SLSMC co-hosted a stakeholder appreciation reception on December 3, 2009, during the maritime industry's annual "Grunt Club" events in Montreal, Que. More than 150 U.S., Canadian, and international stakeholders representing a cross-section of the maritime community attended the event.

SLSDC Participates at Annual Seatrade Cruise Convention in Miami

The SLSDC participated in the annual Seatrade Cruise Convention in Miami, Fla., from March 15-18, 2010. The Seatrade Convention is North America's preeminent conference for cruising industry professionals. The conference focused on every aspect of the marine passenger industry including marketing, new technologies and equipment, and human resource management. This year marked the tenth consecutive year that the SLSDC and members of the Great Lakes Cruising Coalition have participated in the Seatrade event. Such participation helps maximize the effectiveness of trade development efforts to improve Great Lakes St. Lawrence Seaway's visibility to the cruising communities throughout the world and encourage cruise tours to the region.

Management Initiatives

SLSDC Completes Year Two of Asset Renewal Program; Receives Favorable GAO Review

During FY 2010, the SLSDC continued its work in the area of U.S. Seaway infrastructure renewal as part of its 10-year Asset Renewal Program (ARP). The ARP was started in FY 2009 to rehabilitate the U.S. Seaway's navigation infrastructure, the Seaway International Bridge, and Corporation facilities in Massena, N.Y.

In FY 2010, the SLSDC obligated $16.3 million for 25 ARP projects. Projects receiving funding in FY 2010 included the continuation of many Year One projects, plus culvert valve upgrades, upstream miter gate rehabilitation at Snell Lock, and lock control technology improvements. Throughout FY 2010 the Corporation also managed the successful initiation and/or completion of a number of FY 2009-financed ARP projects. The first large-scale lock-related projects of the ARP, which were funded in both FYs 2009 and 2010, will get underway during the Seaway's non-navigation period following the 2010 navigation season.

Also in FY 2010, the Government Accountability Office (GAO) issued a favorable review of the SLSDC's role in planning and implementing the ARP. GAO recommended some additional government-wide "best practices" to use in estimating costs for out-year ARP projects. The SLSDC agreed to consider the report's recommendation and has already met with GAO cost estimating officials to implement new internal estimating procedures.

The SLSDC's ARP represents the first comprehensive effort to reinvest in and modernize the U.S. Seaway infrastructure. Without such significant reinvestment in these perpetual transportation assets, it would become increasingly difficult to maintain the future availability and reliability of the Seaway (currently at greater than 99 percent). An economic analysis concluded that the economic impact of a shutdown of either of the two U.S. locks would result in a loss to those dependent on this mode of transportation of $1.3-$2.3 million per day, depending on the length of the delay.

The completion of ARP projects over the 10-year period will extend the life of the U.S. Seaway infrastructure and reduce the risk of system delays to commercial navigation caused by lock equipment malfunction. In addition, several ARP projects will involve the implementation of new and improved technologies for the operation of the Seaway infrastructure, which will result in minimized maintenance needs.

The ARP supports the engineering considerations highlighted in the *Great Lakes St. Lawrence Seaway Study* (published in November 2007) and follows the asset renewal activities currently underway on the Canadian Seaway locks. Beginning with the passage of the Canada Marine Act in 1998, the Canadian government has started to address the asset renewal needs of its 13 Seaway locks, including the eight Welland Canal locks that are over 75 years old.

Fourteen SLSDC Employees
Receive Department of Transportation Awards

On October 29, 2009, 14 SLSDC employees were honored by the U.S. Transportation Secretary Ray LaHood and SLSDC Deputy Administrator Craig Middlebrook, at the 42nd Annual DOT Awards Ceremony held in Washington, D.C. The employees honored were:

- Marsha Sienkiewicz, Chief Financial Officer, Massena, N.Y, received the Meritorious Achievement Award, the third highest award within the Department. Marsha provided a seamless transition in accepting and carrying out the duties of the previous CFO.

- Penny DeLosh, Junior Accountant, Massena, N.Y., received the Excellence Award for her dedication and professionalism in overseeing the Worker's Compensation Program with attention to detail, timeliness, savings, and compassion.

- James Houmiel, Small Craft Operator, Massena, N.Y., received the Volunteer Service Award for his dedication and commitment to serving his workplace, local community, and country during the past year.

- Secretary's Team Award – SLSDC Ballast Water Management Team. This award is presented by the Secretary in recognition of groups and teams whose performance exemplifies teamwork and whose efforts contribute significantly toward the accomplishment of the mission and goals of the Department. The following employees were honored: Ross Driscoll, Christopher Guimond, Terrance Jordan, Jay McCarthy, Ernest Parker, Thomas Rausch, Matthew Trego, and Bryan Wood.

- Partnering for Excellence Award – 2009 DOT Presidential Transition Team. The following SLSDC employees were recognized for their outstanding achievement preparing and developing department-level programs and information for the Presidential Transition Team: Nancy Alcalde, Anita Blackman, and Kevin O'Malley.

SLSDC Continues Local Education and Mentoring Programs

The SLSDC continued its Adopt-A-School program with the Jefferson Elementary School in Massena, N.Y., and its partnering efforts with the Tech Prep/School-to-Work Initiative with Massena Central High School and St. Lawrence University, to prepare high school juniors and seniors for post school employment. The SLSDC served as one of the corporate partners for the Tech Prep case studies. The students were asked to look at the "Go Green" proclamation by President Obama, review materials used by the Corporation, and research ways to reach the goal of using 100 percent recycled materials.

Jefferson Elementary School's fifth graders participated in the Seaway's National Transportation Week Poster Contest. The SLSDC selected the contest winners and Corporation Chief of Staff Anita Blackman presented them with U. S. Savings Bonds. In addition, as part of the Jefferson Elementary School's Annual Outdoor Activities Week, 65 sixth-grade students toured the SLSDC's facilities and vessels and received a presentation in safe boating by SLSDC employees.

SLSDC's Quality Management System
Maintains International Standards Organization Status

On June 1-2, 2010, the SLSDC successfully completed a two-day surveillance audit of its International Standards Organization (ISO) 9001:2000 certified quality management system, and successfully completed certification renewal to the improved ISO 9001:2008 standards.

In 1998, the SLSDC began the process of certifying its operational business practices through the internationally recognized ISO standards. The ISO recognition is only conferred on those service firms and organizations that meet the highest quality customer service and management standards set by the Geneva, Switzerland-based ISO.

ISO 9001:2008 does not introduce any significant new requirements to the Corporation. The changes provide clarification based on eight years of experience worldwide. Both the surveillance and the renewal were conducted by Lloyds Register of Quality Assurance, an independent accrediting agency. The ISO 9001:2008 standards focus on self assessment, ongoing improvements, and performance metrics. Incorporation of these quality concepts, at all levels within the Corporation, has improved customer awareness, significantly enhanced communication with Seaway customers, and improved services.

The SLSDC’s certification is internationally recognized and complements the agency’s marketing and trade development efforts overseas. Customer complaints have been greatly reduced, while positive customer comments have increased. Maintaining the ISO certification has kept agency officials focused on finding better ways of operating the waterway, and recognizing how agency initiatives and decisions affect its customers, both internally and externally. Other benefits of the SLSDC’s ISO certification include improved communications within the organization, redefined business processes that are clearly understood by employees, and integrated performance measurements and objectives with the agency’s mission.

SLSDC Serves on Great Lakes
Maritime Research Institute Advisory Board

During FY 2010, the SLSDC continued to serve as a member of the Advisory Board of the Great Lakes Maritime Research Institute (GLMRI), which was established in 2004 as a consortium between the University of Wisconsin-Superior and the University of Minnesota-Duluth and includes 10 affiliate universities around the Great Lakes region. Its mission is to develop and improve economically and environmentally sustainable maritime commerce on the Great Lakes through applied research. Other GLMRI board members include the U.S. Maritime Administration, the U.S. Coast Guard, the U.S. Army Corps of Engineers, the Great Lakes Commission, the Lake Carriers’ Association, the American Great Lakes Ports Association, and the Society of Naval Architects and Marine Engineers.

SLSDC FY 2010 Performance Measures and Results

Safety

Enhanced Seaway Inspections – "Inspect 100 percent of ocean vessels during their first Seaway inbound transit at Montreal, Quebec, outside of U.S. waters, each navigation season." The goal was achieved during the 2009 season, with 186 vessel inspections conducted by SLSDC personnel. In 2010, through September 30, 164 vessel inspections had been completed.

Reliability

System Availability – "Ensure the reliability and availability of the U.S. portion of the Seaway, including the U.S. locks and related navigational facilities, during each navigation season." The goal each year is 99 percent availability. The goal was achieved during the 2009 season with an availability rate of 99.7 percent. System availability during the 2009 navigation season, through September 30, was 99.9 percent.

Lock Equipment Maintenance – "Minimize vessel delays due to lock equipment failure or malfunction." The goal each year is zero hours of delay. In 2009, the goal was not met when the SLSDC recorded 2 hours, 57 minutes of lock-related delays. Lock-related delays in 2010, through September 30, totaled 3 hours, 49 minutes.

Management Accountability

Administrative Expenses – "Reduce the administrative overhead expense ratio of total operating expenses, excluding ARP projects, depreciation, and imputed expenses, to 25 percent or lower." The administrative expense ratio goal was met in FY 2010 at 23 percent.

Financial Reserve Balance – "Maintain/increase the financial reserve account to ensure contingency funding for catastrophic emergencies and funding for critical capital and extraordinary maintenance projects." The goal each year is to maintain a minimum year-end balance of $10 million. The financial reserve goal was met in FY 2010 with a year-end balance of $11.9 million.

Financial Audit Opinion – "Achieve an unqualified opinion (clean audit) in the independent examination of financial statements as well as no instances of non-compliance with laws and regulations or material weaknesses in internal control as they relate to financial reporting." The goal was achieved in FY 2010 as the Corporation received its 46th consecutive unqualified opinion of its financial statements for FY 2009 with no material weaknesses or reportable conditions in November 2009.

Corporation's Statement on Internal Accounting and Administrative Control System

Pursuant to Section 306 of the Chief Financial Officers Act of 1990, the Corporation is required to provide a statement on internal accounting and administrative control systems consistent with the requirements of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. An evaluation of the system of internal accounting and administrative control of the Corporation in effect during the year ended September 30, 2010 was performed in accordance with "Guidelines for Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government", issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the FMFIA, and accordingly included an evaluation of whether the system of internal accounting and administrative control of the Corporation was in compliance with the standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the Corporation are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable law;

- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived therefrom, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, Congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

A material weakness or non-conformance is a specific instance of non-compliance with the Integrity Act. Such weakness would significantly impair the fulfillment of an agency component's mission; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets; or result in a conflict of interest. Each material non-conformance in a financial system merits the attention of the agency head/senior management, the Executive Office of the President, or the relevant Congressional oversight committee; prevents the primary agency's financial system from achieving central control over agency financial transactions and resource balances; and/or prevents conformance of financial systems with financial information standards and/or financial system functional standards.

The results of the evaluations described in the second paragraph, assurances given by appropriate Corporation officials, and other information provided indicate that the system of internal accounting and administrative control of the Corporation in effect during the year ended September 30, 2010, taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved within the limits described in the preceding paragraph. The evaluation did not disclose any material weaknesses or non-conformances in the internal accounting and administrative control system in FY 2010 and prior years.

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INDEPENDENT AUDITORS' REPORT

To the Administrator of the
Saint Lawrence Seaway Development Corporation
Massena, New York

We have audited the accompanying statements of financial position of the Saint Lawrence Seaway Development Corporation (the "Corporation"), a wholly-owned U.S. Government corporation, as of September 30, 2010 and 2009, and the related statements of operations and changes in cumulative results of operations, cash flows, and changes in equity of the U.S. Government for the years then ended and the statement of budgetary resources and actual expenses for the year ended September 30, 2010. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, "*Audit Requirements for Federal Financial Statements.*" Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saint Lawrence Seaway Development Corporation as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010, on our consideration of Saint Lawrence Seaway Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important in assessing the results of our audit.

The management discussion and analysis on pages 3 through 22, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Chiampou Travis Besaw & Kershner LLP

October 15, 2010

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Administrator of the
Saint Lawrence Seaway Development Corporation
Massena, New York

We have audited the financial statements of Saint Lawrence Seaway Development Corporation (the "Corporation"), as of and for the year ended September 30, 2010, and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, "*Audit Requirements for Federal Financial Statements.*"

Internal Control over Financial Reporting

In planning and performing our audit, we considered Saint Lawrence Seaway Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We obtained an understanding of the design effectiveness of internal controls, determined whether they have been placed in operation, assessed control risk, and performed tests of the Corporation's internal controls. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. Our audit was not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraphs and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saint Lawrence Seaway Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Advisory Board and management of Saint Lawrence Seaway Development Corporation. However, this report is a matter of public record and its distribution is not limited.

Clifton Gunderson LLP

October 15, 2010

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2010 and 2009

Assets	2010	2009
Current Assets		
Cash		
Held by U.S. Treasury	**$ 25,814,852**	$ 18,492,139
Held in banks and on hand	**149,129**	248,393
Short-term time deposits in minority banks (Note 3)	**8,319,000**	9,789,000
Accounts receivable (Note 4)	**86,011**	113,120
Inventories (Note 2)	**266,485**	266,566
Other current assets (Note 4)	**760**	26,600
Total current assets	**34,636,237**	28,935,818
Long-Term Investments		
Long-term time deposits in minority banks (Note 3)	**2,839,000**	1,271,000
Plant, Property and Equipment		
Plant in service (Note 5)	**167,368,716**	164,321,534
Less: Accumulated depreciation	**(94,419,073)**	(91,989,556)
Net plant in service	**72,949,643**	72,331,978
Work in progress	**2,736,892**	1,200,656
	75,686,535	73,532,634
Other Assets		
Lock spare parts (Note 2)	**592,798**	614,739
Investment in Seaway International Bridge Corporation, Ltd. (Note 6)	**7,440**	7,440
	600,238	622,179
Deferred Charges		
Worker's compensation benefits (Note 2)	**3,546,453**	3,457,136
Total assets	**$ 117,308,463**	$ 107,818,767

See Notes to Financial Statements (Continued)

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2010 and 2009

Liabilities and Equity of the U.S. Government	2010	2009
Current Liabilities		
Accounts payable	$ 2,176,639	$ 1,929,318
Accrued annual leave (Note 2)	938,438	880,956
Accrued payroll costs	709,212	654,178
Total current liabilities	3,824,289	3,464,452
Actuarial Liabilities		
Worker's compensation benefits (Note 2)	3,546,453	3,457,136
Total liabilities	7,370,742	6,921,588
Equity of the U.S. Government		
Invested capital (Note 2)	90,818,301	88,660,862
Cumulative results of operations	19,119,420	12,236,317
	109,937,721	100,897,179
Total liabilities and equity of the U.S. Government	$ 117,308,463	$ 107,818,767

See Notes to Financial Statements (Concluded)

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF OPERATIONS AND CHANGES
IN CUMULATIVE RESULTS OF OPERATIONS
For the Years Ended September 30, 2010 and 2009

	2010	2009
Operating Revenues		
Appropriations expended	**$ 27,662,523**	$ 29,005,349
Imputed financing (Note 9)	**1,100,929**	934,077
Other (Note 7)	**611,647**	699,992
Total operating revenues	**29,375,099**	30,639,418
Operating Expenses (Note 8)		
Locks and marine operations	**3,668,387**	3,687,907
Maintenance and engineering	**9,499,077**	6,803,727
General and development	**4,743,277**	4,833,744
Administrative expenses	**3,710,622**	3,997,519
Depreciation	**2,504,038**	2,395,227
Imputed expenses (Note 9)	**1,100,929**	934,077
Total operating expenses	**25,226,330**	22,652,201
Operating income	**4,148,769**	7,987,217
Other Financing Sources		
Interest on deposits in minority banks	**230,296**	372,648
Transfer from invested capital for depreciation	**2,504,038**	2,395,227
Total other financing sources	**2,734,334**	2,767,875
Operating revenues and other financing sources over operating expenses	**6,883,103**	10,755,092
Beginning cumulative results of operations	**12,236,317**	1,481,225
Ending cumulative results of operations	**$ 19,119,420**	$ 12,236,317

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Operating revenues and other financing sources over operating expenses	**$ 6,883,103**	$ 10,755,092
Adjustments to reconcile operating revenues and other financing sources over operating expenses to net cash provided by operating activities:		
Depreciation	**2,504,038**	2,395,227
Transfer from invested capital for depreciation	**(2,504,038)**	(2,395,227)
Net gain on property disposals	**(3,060)**	(199,221)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	**27,109**	(5,570)
Decrease (increase) in inventories	**81**	(390)
Decrease (increase) in other current assets	**25,840**	(26,080)
Decrease (increase) in other assets	**21,384**	(17,292)
Increase in accounts payable	**247,321**	565,488
Increase in accrued liabilities	**112,516**	109,352
Net cash provided by operating activities	**7,314,294**	11,181,379
Cash flows from investing activities:		
Proceeds from property disposals	**7,155**	289,859
Acquisition of plant, property and equipment	**(4,661,477)**	(2,836,651)
Net increase in time deposits	**(98,000)**	-
Net cash used in investing activities	**(4,752,322)**	(2,546,792)
Cash flows from financing activities:		
Appropriations for plant, property and equipment	**4,661,477**	2,836,651
Net increase in cash	**7,223,449**	11,471,238
Cash at beginning of year	**18,740,532**	7,269,294
Cash at end of year	**$ 25,963,981**	$ 18,740,532

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES (NOTE 12)
For the Year Ended September 30, 2010

	- - - - - - - - Budget - - - - - - - -		
	Resources	**Obligations**	**Expenses**
Saint Lawrence Seaway Development Corporation Fund	$ 47,691,417	$ 32,601,680	$ 25,226,330
Budget Reconciliation:			
Total expenses			25,226,330
Adjustments			
Add:			
Capital acquisitions			4,661,477
Deduct:			
Depreciation			(2,504,038)
Imputed expenses			(1,100,929)
Decrease in net plant in service, property disposals			(4,095)
Decrease in inventories			(81)
Decrease in other assets			(21,384)
Less reimbursements:			
Trust funds			(32,324,000)
Revenues from non-federal sources			(841,943)
Accrued expenditures			$ (6,908,663)

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY OF THE U.S. GOVERNMENT
For the Years Ended September 30, 2010 and 2009

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations
Balance, September 30, 2008	$ 88,219,438	$ -	$ 1,481,225
Appropriations expended	-	(29,005,349)	29,005,349
Fiscal Year 2009 appropriations	-	31,842,000	-
Other financing sources	-	-	2,006,717
Operating expenses, excluding depreciation and imputed expenses	-	-	(19,322,897)
Depreciation expense	-	-	(2,395,227)
Imputed expenses	-	-	(934,077)
Transfer from invested capital for depreciation	(2,395,227)	-	2,395,227
Capital expenditures	2,836,651	(2,836,651)	-
Balance, September 30, 2009	88,660,862	-	12,236,317
Appropriations expended	-	(27,662,523)	27,662,523
Fiscal Year 2010 appropriations	-	32,324,000	-
Other financing sources	-	-	1,942,872
Operating expenses, excluding depreciation and imputed expenses	-	-	(21,621,363)
Depreciation expense	-	-	(2,504,038)
Imputed expenses	-	-	(1,100,929)
Transfer from invested capital for depreciation	(2,504,038)	-	2,504,038
Capital expenditures	4,661,477	(4,661,477)	-
Balance, September 30, 2010	$ 90,818,301	$ -	$ 19,119,420

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2010 and 2009

Note 1. The Corporation

The Saint Lawrence Seaway Development Corporation (the "Corporation"), a wholly-owned government corporation within the Department of Transportation, was created by the Wiley-Dondero Act of May 13, 1954 (68 Stat. 92, 33 U.S.C. 981), as amended. The Corporation is responsible for the development, seasonal operation and maintenance of the portion of the St. Lawrence Seaway (the "Seaway") between Montreal and Lake Erie, and within the territorial limits of the United States.

Note 2. Summary of Significant Accounting Policies

These financial statements have been prepared to report the financial position, results of operations, and cash flows of the Corporation as required by the Chief Financial Officers Act of 1990. They have been prepared from the books and records of the Corporation in accordance with generally accepted accounting principles as set forth for Federal Government Corporations, and the Corporation's accounting policies and procedures, which are summarized below. The accounting policies and procedures are consistent with Title 2 of the U.S. General Accounting Office's Policy and Guidance of Federal Agencies.

Inventories consist primarily of supplies which are consumed in operations and are valued at the lower of cost or market with cost being determined using the weighted-average method. The recorded values are adjusted for the results of physical inventories taken periodically.

Plant, property and equipment are stated at cost of acquisition or construction. Indirect costs incurred prior to the opening of the Seaway on April 25, 1959, have been allocated to the permanent features of the Seaway. Assets, improvements and betterments costing $5,000 or more are capitalized when they have an expected useful life of two years or more. Repairs and maintenance costs are expensed. The straight-line method of depreciation is used and is computed on balances in plant in service. The cost of plant retired and the accumulated depreciation are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Lock spare parts consists of inventory items valued at the lower of cost or market with cost being determined using the weighted-average method.

Note 2. Summary of Significant Accounting Policies *(continued)*

Accrued annual leave represents the value of the unused annual leave accrued to employees of the Corporation. The leave is funded and reported as an obligation.

The Corporation funds a program administered by the U.S. Department of Labor to compensate certain employees for death and disability resulting from performance of duty injuries or illnesses as set forth in the Federal Employees Compensation Act (FECA). As provided by FECA, employees and certain dependents are beneficiaries for various periods that can extend to life. The Corporation recognizes current costs of the program on an accrual basis and expenses those costs in the year the benefits are due. Effective with fiscal year (FY) 1994, the actuarial liability of these benefits are recognized and recorded in these financial statements. The liability and deferred charge recorded of $3,546,453 and $3,457,136 at September 30, 2010 and 2009, respectively, reflects the actuarial liability as determined by the Department of Labor.

Seaway Tolls

The Water Resource Development Act of 1986 (Public Law 99-662) required the Corporation to turn over U.S. Seaway tolls charged on commercial vessels to the Harbor Maintenance Trust Fund (the "Fund"). Annual appropriations from the Fund are used to meet operation and maintenance expenses. The Act further required the U.S. Treasury to rebate the tolls to the shippers from the Fund. Public Law 103-331, dated September 30, 1994, eliminated the requirement to collect and rebate these tolls effective October 1, 1994.

Invested Capital

The Corporation was initially funded by revenue bonds issued by the U.S. Treasury. On December 18, 1982, Congress cancelled the outstanding revenue bonds of $109,976,000 (P.L. 97-369, 96 Stat. 1782). With cancellation of the debt, the amount was converted to invested capital. Since FY 1987, when the Corporation began receiving annual appropriations from the Harbor Maintenance Trust Fund, capital expenditures and annual depreciation have been recognized in invested capital.

Budget Authority

The Corporation was apportioned authority by the Office of Management and Budget (OMB) to obligate a maximum amount of $33,549,000 for FY 2010, $32,324,000 from the Fund (Public Law 111-117), $900,000 from non-federal revenues, and $325,000 from the Corporation’s unobligated balance. FY 2010 funding includes year two of a 10-year Asset Renewal Plan. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled $32,601,680 for FY 2010. The Corporation's unobligated balance at September 30, 2010 totaled $15.1 million including $3.2 million unused borrowing authority. For FY 2011, the Corporation is operating on a Continuing Resolution based on the FY 2010 level of $32,324,000. In addition, authority to obligate $900,000 of non-federal revenues has been apportioned by OMB for FY 2011.

Note 2. Summary of Significant Accounting Policies *(continued)*

Statements of Cash Flows

For purposes of financial reporting, the Corporation considers cash to be cash held in the U.S. Treasury, cash in banks and cash on hand.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 3. Time Deposits in Minority Banks

The Corporation maintains insured deposits in a number of minority banks throughout the United States to help expand opportunities for minority business enterprises. These deposits consist mainly of the Corporation's unobligated balance, which is retained for emergency situations.

Note 4. Accounts Receivable and Other Current Assets

The Corporation has not provided for an allowance on uncollectible receivables because prior losses have been insignificant. Receivables and other current assets as of September 30, 2010 and 2009 are as follows:

	2010	2009
Due from concession contracts	**$ 44,306**	$ 28,208
Other	**33,183**	96,599
Interest on deposits in minority banks	**9,282**	14,913
Total	**$ 86,771**	$ 139,720

Note 5. Plant in Service

Plant in service as of September 30, 2010 and 2009 is as follows:

		2010		2009	
Plant in Service	**Estimated Life (Years)**	**Cost**	**Accumulated Depreciation**	Cost	Accumulated Depreciation
Locks and guidewalls	40 - 100	**$ 78,000,245**	**$ 44,613,767**	$ 77,709,718	$ 43,605,110
Channels and canals	95	**36,870,221**	**17,940,309**	36,870,221	17,553,172
Buildings, grounds and utilities	50	**16,002,923**	**7,166,513**	15,707,282	6,847,214
Permanent operating equipment	5 - 40	**15,412,188**	**9,524,042**	14,148,034	9,111,324
Roads and bridges	50	**10,596,835**	**9,073,337**	9,548,428	8,880,621
Land rights & relocations	95	**5,639,065**	**2,767,958**	5,639,064	2,708,748
Navigation aids	10 - 40	**3,061,504**	**2,613,577**	2,913,052	2,582,165
Public use facilities	50	**918,409**	**719,570**	918,409	701,202
Lands in fee	N/A	**867,326**	**-**	867,326	-
Total plant in service		**$167,368,716**	**$ 94,419,073**	$164,321,534	$ 91,989,556

Plant in service includes costs of certain features of the Seaway International Bridge Corporation, Ltd. (SIBC), which is discussed in Note 6. These features include land rights and relocation costs incurred in removing the old bridges, which were a hindrance to navigation, and in building the superstructure of the South Channel Bridge. The gross amounts of $3,897,379 in land rights and relocations, and $4,853,320 in roads and bridges have been depreciated accordingly.

Note 6. Investment in the Seaway International Bridge Corporation, Ltd. (SIBC)

The Corporation owns, on behalf of the U.S. Government, 50 percent of SIBC, a subsidiary of The Federal Bridge Corporation Ltd., a federal Crown Corporation of Canada. Ownership consists of debenture bonds payable to the Corporation with face values totaling $8,000. The net annual income from the SIBC, after all operating expenses, is divided equally between both parties. The Corporation's portion, if any, is retained in escrow by SIBC to fund structural repair costs to the South Channel Bridge as provided in the Corporation's enabling act. Any revenue received by the Corporation will be returned to the U.S. Treasury as miscellaneous receipts. No revenue from the SIBC has been received since 1961.

Note 7. Other Revenues

Other revenues for the years ended September 30, 2010 and 2009 consist of the following:

	2010	2009
Concession operations	**$ 366,225**	$ 303,599
Pleasure craft/non-commercial tolls	**106,522**	106,376
Miscellaneous	**52,750**	43,031
Rental of administration building	**49,615**	43,092
Shippers’ payments for damages to locks, net	**15,693**	4,673
Vessel services	**13,687**	-
Gain on property disposals	**7,155**	199,221
Total	**$ 611,647**	$ 699,992

Shippers' payments for damages are reported net of direct materials and direct labor costs. Reimbursements for direct materials and direct labor are recorded as reductions of the related expense accounts.

Note 8. Operating Expenses by Object Class

Operating expenses by object class for the years ended September 30, 2010 and 2009 are as follows:

	2010	2009
Personnel services and benefits	**$ 12,954,553**	$ 12,946,738
Contractual services	**7,114,605**	4,646,182
Supplies and materials	**747,585**	838,566
Rental, communications and utilities	**465,075**	472,943
Travel and transportation	**219,168**	253,732
Equipment not capitalized	**104,753**	133,790
Printing and reproduction	**11,529**	30,946
Loss on property disposals	**4,095**	-
Subtotal	**21,621,363**	19,322,897
Depreciation expense	**2,504,038**	2,395,227
Imputed expenses	**1,100,929**	934,077
Total operating expenses	**$ 25,226,330**	$ 22,652,201

Note 9. Retirement Plans

Retirement Plans consist of the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). FERS went into effect, pursuant to Public Law 99-335, on January 1, 1987. Employees hired after December 31, 1983 are automatically covered by FERS and Social Security while employees hired prior to January 1, 1984 elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Corporation automatically contributes 1 percent of pay and matches any employee contributions up to an additional 4 percent of pay. For employees hired since December 31, 1983, the Corporation also contributes the employer's matching share for Social Security.

The Corporation paid contributions to the retirement plans and Social Security for the years ended September 30, 2010 and 2009 are as follows:

	2010	2009
Federal Employees Retirement System:		
Automatic contributions	$ **912,324**	$ 853,754
Matching contributions	**251,837**	240,541
Social Security	**484,254**	470,152
Civil Service Retirement System	**128,029**	146,850
Total	**$ 1,776,444**	$ 1,711,297

Effective with FY 1997, the Corporation recognizes and records the cost of pensions and other post-retirement benefits during employees' active years of service, based on cost factors provided by the Office of Personnel Management (OPM). These costs are recorded as both an expense paid by another entity and an imputed financing source to the receiving entity; therefore, they offset each other with no impact upon the Corporation's net position. The imputed financing and offsetting imputed expense amounts for the years ended September 30, 2010 and 2009 were $1,100,929 and $934,077, respectively.

Note 10. Related Party Transactions

The Corporation receives rental payments for office space at its administration building in Massena, New York. For the years ended September 30, 2010 and 2009, revenue totaled $45,790 and $42,439 for space provided to the U.S. Coast Guard and the Internal Revenue Service.

The Corporation made rental payments to the General Services Administration for its Washington, D.C. office totaling $304,491 and $295,507 for fiscal years 2010 and 2009, respectively.

Note 10. Related Party Transactions *(continued)*

The Corporation has entered into reimbursable agreements with certain federal agencies to provide services and equipment to the Corporation. Amounts due under reimbursable agreements with federal agencies for FY 2010 and FY 2009 were as follows:

	2010	2009
Office of the Secretary of Transportation	**$ 56,955**	$ 68,438
Federal Aviation Administration	**13,784**	4,532
General Services Administration	**10,093**	9,619
Department of Commerce	**9,460**	47,000
Maritime Administration	**2,400**	-
U.S. Census Bureau	**1,256**	1,191
Office of Personnel Management	**1,045**	820
Federal Occupational Health	**338**	338
Department of Health & Human Services	**81**	386
National Science Foundation	**28**	28
Department of Energy	**25**	40
Federal Highway Administration	**-**	26,745
Volpe National Transportation Systems Center	**-**	76,000
Total	**$ 95,465**	$ 235,137

Accounts payable and accrued payroll benefits at September 30, 2010 and 2009 include $1,180,940 and $1,102,021 respectively, of amounts payable to the U.S. Government.

In fiscal years 2010 and 2009, the Corporation accrued costs of $116,377 and $97,170, respectively, to the Canadian St. Lawrence Seaway Management Corporation for administrative services related to tolls and statistics.

Note 11. Contingencies and Commitments

As of September 30, 2010, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2010 and 2009 there were undelivered orders and contracts amounting to $21,494,725 and $15,191,331, respectively.

The Corporation leases office space in Washington, D.C. from the General Services Administration. The lease covers multiple fiscal years, however financial obligation is for the current fiscal year only. The Corporation also provides office space to several agencies under various lease agreements. The lease agreements are cancelable.

Note 12. Statement of Budgetary Resources and Actual Expenses

The Statement of Budgetary Resources and Actual Expenses presents budget information as reported on the Corporation's "Report on Budget Execution" SF-133 and reconciles accrued expenditures from that report to expenses as reported in the accompanying financial statements.

Budget resources of $47,691,417 consist of the Corporation's unobligated balance of $14,484,469 brought forward from October 1, 2009, and reimbursements earned of $33,165,943 and recoveries of prior year's obligations of $41,005 during FY 2010.

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